

# **HEALTH ANNUAL STATEMENT**

FOR THE YEAR ENDING DECEMBER 31, 2003 OF THE CONDITION AND AFFAIRS OF THE

	Priori	ту пеаг	in Government			
·		Period)	AIC Company Code1	1520 Employer	's ID Number	32-0016523
Organized under the Laws of			, State of D	omicile or Port of Entry	. N	lichigan
Country of Domicile		<u> </u>	United States of	-		Ŭ
	Life Assident 9 Heal	+h [ ]			orotion [ ]	
Licensed as business type:	Life, Accident & Heal Vision Service Corpo		Property/Casualty [ ]	Dental Service Corp		<b>/</b> 1
	Hospital, Medical & E		Other [ ]	Health Maintenance Is HMO, Federally (		-
	HOSPITAI, IVIEUICAI & L	Jeniai Service	or maemmy [ ]	is filvio, rederally of	zuaillieu: Tes [	] NO[X]
Incorporated	06/03/2002		Commenced Business		10/01/2002	<u> </u>
Statutory Home Office		1 East Beltline Street and Numbe			tapids, MI 49525- Town, State and Zip Co	
Main Administrative Office	`		1991 Ea	ıst Beltline	,	,
	Danida MI 40505 4504			nd Number)	0005	
	Rapids, MI 49525-4501 Town, State and Zip Code)			616-464- (Area Code) (Telep		
Mail Address	1231 East Bel		, ,		s, MI 49525-4501	1
Drive and Leasting of Deales of	(Street and Number of	or P.O. Box)		, ,	State and Zip Code)	
Primary Location of Books a	nu necoras			(Street and Number)		
	Rapids, MI 49525-4501 Town, State and Zip Code)			616-464- (Area Code) (Telep		
Internet Website Address	, and _ip oode)		www.priority-h	. , ,		
Statutory Statement Contact	ľ	Malcolm Hall			6-464-8235	
•		(Name)	<del></del> -		lephone Number) (Exte	ension)
IIIaicoiiii.	hall@priority-health.cor (E-mail Address)	11	<del></del>	(FAX Num		
Policyowner Relations Conta	ict					
•		(Street and Nur	mber)			
(City or	Town, State and Zip Code)			(Area Code) (Telephone	Number) (Extension)	
			OFFICERS			
President	Kimberly	K Horn		Secretary	Judith W Hoo	yenga
Treasurer	Dennis	J Reese		-		
		VI	CE PRESIDENTS			
Dennis J Re	eese	-	James F Byrne		Guy S Gauth	hier #
		DIDEO		FFO		
Sandra K Al	len #	DIREC	TORS OR TRUST	EES		
State of	Michigan					
County of	Kent					
				a dagadinad afficaca		
The officers of this reporting reporting period stated above	e, all of the herein des	cribed assets	were the absolute property	of the said reporting e	entity, free and cl	ear from any liens or
claims thereon, except as he or referred to is a full and tr						
period stated above, and of	its income and deduct	ions therefror	m for the period ended, and	I have been completed	I in accordance v	vith the NAIC Annua
Statement Instructions and regulations require difference						
belief, respectively.	23 III reporting not relat	ca to accoun	ting practices and procedure	cs, according to the be		ation, knowledge and
Kimberly K Preside			Judith W Hooyenga Secretary		Dennis J R Treasur	
1 1631061			Constany		Heasul	<b>.</b> .
				a. Is this an original	filing?	Yes [X]No[]
Subscribed and sworn to be				b. If no,		
27thday of	February, 2004	<u> </u>		<ol> <li>State the amer</li> <li>Date filed</li> </ol>	iament number	02/27/2004
				3. Number of pag	es attached	
Cheryl Britcher Executive Administrative Ass	sistant	<u>—</u>				
12/30/2005	orotant					

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

# **EXHIBIT 3 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID**

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
Group subscribers: State of Michigan	49,033					49,033
0299997 Group subscriber subtotal	49,033	0	0	0	0	49,033
0299998 Premiums due and unpaid not individually listed						
0299999 Total group.	49,033	0	0	0	0	49,033
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)	49,033	0	0	0	0	49,033

# **EXHIBIT 4 - HEALTH CARE RECEIVABLES**

1, 1,	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
Individually Listed Receivables:						
State of Michigan	173,166	21,204	10,602	95,418	95,418	204,972
Individually Listed Receivables: State of Michigan	470, 171	83,664				204,972 553,835
	•	,				,
0499999 Receivables not individually listed						
0599999 Gross health care receivables	643,337	104,868	10,602	95,418	95,418	758,807

# **EXHIBIT 5 – CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

	Aging Analysis of Unpaid	Claims				
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120 Days	Total
Claims Unpaid (Reported)						
	-					-
	-					-
				• • • • • • • • • • • • • • • • • • • •		
	-					-
	-					
0199999 Individually listed claims unpaid	0	0	0	0	0	0
0299999 Aggregate accounts not individually listed-uncovered.	180,398					180.398
0399999 Aggregate accounts not individually listed-covered	1,105,558					1,105,558
0499999 Subtotals	1,285,956	0	0	0	0	1,285,956
0599999 Unreported claims and other claim reserves						2,980,978
0699999 Total amounts withheld						20,667
0799999 Total claims unpaid						4,287,601
0899999 Accrued medical incentive pool and bonus amounts						431,113

# **EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES**

		<del></del>	<del> </del>				
1	2	3	4	5	6	Adm	itted
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually Listed Receivables:							
Individually Listed Receivables: Priority Health Spectrum Hospital	90,000					90,000	
Spectrum Hospital				458,809			458,809
	***************************************	• • • • • • • • • • • • • • • • • • • •				***************************************	
	<b>.</b>						
0199999 Individually listed receivables 0299999 Receivables not individually listed	90,000	0	0	458,809	0	90,000	458,809
0299999 Receivables not individually listed				·		·	
0399999 Total gross amounts receivable	90,000	0	0	458,809	0	90,000	458,809

# **EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES**

1	2	3	4	5
Affiliate	Description	Amount	Current	Non-Current
Priority Health	Trade	72	72	
Priority Health Priority Health Managed Benefits	Trade	437	437	
0199999 Individually listed payables		509	509	0
0299999 Payables not individually listed				***************************************
0199999 Individually listed payables. 0299999 Payables not individually listed 0399999 Total gross payables		509	509	0

# 23

# ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

# **EXHIBIT 8 PART 1- SUMMARY OF TRANSACTIONS WITH PROVIDERS**

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
	Fayinent	oi rotai	Covered	oi rotai	Allillated Floviders	Non-Annated Froviders
Capitation Payments:  1. Medical groups	0	0.0		0.0		
2. Intermediaries	0	0.0		0.0		
3. All other providers	10,723,517	32.7		0.0	10,723,517	
4. Total capitation payments	10,723,517	32.7	0	0.0	10,723,517	0
Other Payments:						
5. Fee-for-service	3,410,173	10 . 4	XXX	XXX		3,410,173
6. Contractual fee payments	0	0.0	XXX	XXX		
7. Bonus/withhold arrangements - fee-for-service	0	0.0	XXX	XXX		
Bonus/withhold arrangements - contractual fee payments		56 . 8	XXX	XXX	18,617,902	
9. Non-contingent salaries	0	0.0	XXX	XXX		
10. Aggregate cost arrangements	0	0.0	XXX	XXX		
11. All other payments	0	0.0	XXX	XXX		
12. Total other payments	22,028,075	67.3	XXX	XXX	18,617,902	3,410,173
13. TOTAL (Line 4 plus Line 12)	32,751,592	100 %	XXX	XXX	29,341,419	3,410,173

# **EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES**

	EXHIBIT OF LATTICE COMMINANT OF THANGACTIONS V	· · · · · · · · · · · · · · · ·		<u>/</u>	
1	2	3	4	6	7
			Average		Intermediary's
			Average Monthly Capitation	Intermediary's Total Adjusted Capital	Intermediary's Authorized Control Level RBC
NAIC Code	Name of Intermediary	Capitation Paid	Conitation	Total Adjusted Capital	Central Level PPC
NAIC Code	Name of intermediary	Gapitation Faiu	Capitation	Total Aujusteu Gapital	Control Level NBC
9999999 Totals		0	XXX	XXX	XXX
TTTTT FORMIO		•			

# **EXHIBIT 9 – FURNITURE, EQUIPMENT AND SUPPLIES OWNED**

			1	2	3	4	5	6
	Description		ost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
Administrative furniture and equipment		AOIA						
Medical furniture, equipment and fixtures								
Pharmaceuticals and surgical supplies								
Durable medical equipment								
5. Other property and equipment								
6. Total								



# **EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)**

REPORT FOR: 1. CORPORATION Priority Health Government Programs

NAIC Group Code 3383 BUSINESS IN THE STATE (	OF Michigan				DURING THE YE	AR 2003				(LOCA	TION) NAIC Compa	ay Code	11520
Wild Gloup Gode Good Boolivego IN THE STATE V	OI WICHIGAN	Compre	hensive										
	1	(Hospital 8	& Medical) 3	4	5	6	7	8	9	10	11	12	13
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	22,202								21,225				977
2 First Quarter	21,882								20,962				920
3 Second Quarter	23,057								22,032				1,025
4. Third Quarter	25,604								24,551				1,053
5. Current Year	29,072								28,019				1,053
6 Current Year Member Months	294,066								281,950				12,116
Total Member Ambulatory Encounters for Year:													
7. Physician	0												
8. Non-Physician	0												
9. Total	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Hospital Patient Days Incurred	7,580								7,560				20
11. Number of Inpatient Admissions	1,848								1,832				16
12. Health Premiums Collected	38,176,601								37,304,220				872,381
13. Life Premiums Direct	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	38,225,634								37 , 352 , 133				873,501
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services	32,751,591								32,326,017				425,574
18. Amount Incurred for Provision of Health Care Services	34,384,994								33,598,041				786,953

(a) For health business: number of persons insured under PPO managed care products



# **EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)**

REPORT FOR: 1. CORPORATION Priority Health Government Programs 2.

NAIC Group Code 3383 BUSINESS IN THE STATE OF	Consolidated			ı	OURING THE YE	AR 2003				(LOCA	TION) NAIC Compai	ny Code	11520
	1	Comprel (Hospital 8	Medical)	4	5	6	7	8	9	10	11	12	13
	Total	2 Individual	3 Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	22,202	0	0	0	0	0	0	0	21,225	0	0	0	97
2 First Quarter	21,882	0	0	0	0	0	0	0	20,962	0	0	0	92
3 Second Quarter	23,057	0	0	0	0	0	0	0	22,032	0	0	0	1,02
4. Third Quarter	25,604	0	0	0	0	0	0	0	24,551	0	0	0	1 , 050
5. Current Year	29,072	0	0	0	0	0	0	0	28,019	0	0	0	1,050
6 Current Year Member Months	294,066	0	0	0	0	0	0	0	281,950	0	0	0	12,110
Total Member Ambulatory Encounters for Year:													
7. Physician	0	0	0	0	0	0	0	0	0	0	0	0	(
8. Non-Physician	. 0	0	0	0	0	0	0	0	0	0	0	0	(
9. Total	0	0	0	0	0	0	0	0	0	0	0	0	(
10. Hospital Patient Days Incurred	7,580	0	0	0	0	0	0	0	7,560	0	0	0	2
11. Number of Inpatient Admissions	1,848	0	0	0	0	0	0	0	1,832	0	0	0	1
12. Health Premiums Collected	38,176,601	0	0	0	0	0	0	0	37 , 304 , 220	0	0	0	872,38
13. Life Premiums Direct	0	0	0	0	0	0	0	0	0	0	0	0	
14. Property/Casualty Premiums Written	0	0	0	0	0	0	0	0	0	0	0	0	
15. Health Premiums Earned	38,225,634	0	0	0	0	0	0	0	37 , 352 , 133	0	0	0	873,50
16. Property/Casualty Premiums Earned	0	0	0	0	0	0	0	0	0	0	0	0	
17. Amount Paid for Provision of Health Care Services	32,751,591	0	0	0	0	0	0	0	32,326,017	0	0	0	425,57
18. Amount Incurred for Provision of Health Care Services	34,384,994	0	0	0	0	0	0	0	33,598,041	0	0	0	786,95

(a) For health business: number of persons insured under PPO managed care products 0 and number of persons under indemnity only products 0

# SCHEDULE A VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)
	Increase (decrease) by adjustment:
	2.1 Totals, Part 1, Column 10
	2.2 Totals, Part 3, Column 7
3.	2.1 Totals, Part 1, Column 10  2.2 Totals, Part 3, Column 7  Cost of acquired, (Totals, Part 2, Column 6, net of encumb nice column 7) old at our dittals and permanent improvements (Column 9)
4.	Cost of additions and permanent improvements:
	4.1 Totals, Part 1, Column 13
	4.2 Totals, Part 3, Column 9
5.	Total profit (loss) on sales, Part 3, Column 14
6.	Increase (decrease) by foreign exchange adjustment:
	6.1 Totals, Part 1, Column 11
	6.2 Totals, Part 3, Column 8
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12
8.	Book/adjusted carrying value at end of current period
9.	Total valuation allowance
	Subtotal (Lines 8 plus 9)
	Total nonadmitted amounts
	Statement value, current period (Page 2, real estate lines, current period)

# **SCHEDULE B VERIFICATION BETWEEN YEARS**

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year
2.	Amount loaned during year:
	2.1 Actual cost at time of acquisitions
	2.2 Additional investment made after acquisitions
3.	Accrual of discount and mortgage interest points and commitment fees
4.	Increase (decrease) by adjustment
	Total profit (loss) on sale
6.	Amounts paid on account or in full during the year
7.	Amortization of premium
8.	Increase (decrease) by foreign exchange adjustment
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period
10.	Total valuation allowance
11.	Subtotal (Lines 9 plus 10)
12.	Total nonadmitted amounts
	Statement value of mortgages owned at end of current period

# **SCHEDULE BA VERIFICATION BETWEEN YEARS**

Book/adjusted carrying value of long-term invested assets owned. December 31 of brior year
Cost of acquisitions during year:
2.1 Actual cost at time of acquisitions
2.2 Additional investment made after acquisitions
Accrual of discount
Increase (decrease) by adjustment
Total profit (loss) on sale
Amounts paid on account or in full during the year
Amortization of premium
Increase (decrease) by foreign exchange adjustment
Book/adjusted carrying value of long-term invested assets at end of current period
Total valuation allowance
Subtotal (Lines 9 plus 10)
Total nonadmitted amounts
Statement value of long-term invested assets at end of current period

5.6 Class 6

5.7 Totals

#### ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

# **SCHEDULE D - PART 1A - SECTION 1**

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations Over 1 Year Through Over 5 Years Through Over 10 Years Total from Col. 6 % From Col. 7 Total Publicly Total Privately Placed Col. 6 as a Quality Rating per the NAIC Designation 5 Years 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Prior Year Traded 1 Year or Less (a) 1. U.S. Governments, Schedules D & DA (Group 1) 1,023,398 ..1,023,398 100.0 ..1,023,398 ..100.0 ..1,023,398 1.1 Class 1 1.2 Class 2 0.0 0.0 1.3 Class 3 ..0.0 .0.0 1.4 Class 4 0.0 0.0 0.0 1.5 Class 5 0.0. 1.6 Class 6 0.0 0.0 1.023.398 100.0 1.023.398 100.0 1.023.398 1.023.398 1.7 Totals 2. All Other Governments, Schedules D & DA (Group 2) 2.1 Class 1 0.0 .0.0 ..0.0 .0.0 2.2 Class 2 ..0.0 2.3 Class 3 .0.0 2.4 Class 4 0.0 0.0 2.5 Class 5 ..0.0 .0.0 2.6 Class 6 0.0 0.0 0.0 0.0 2.7 Totals 3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3) 0.0 0.0 3.2 Class 2 0.0. ..0.0 3.3 Class 3 .0.0 .0.0 .0.0 3.4 Class 4 3.5 Class 5 0.0 0.0. 3.6 Class 6 0.0 0.0 0.0 3.7 Totals 0.0 4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4) 0.0 0.0 4.1 Class 1 4.2 Class 2 .0.0 .0.0 0.0 4.3 Class 3 0.0 0.0 4.4 Class 4 4.5 Class 5 0.0 .0.0 0.0 0.0 4.6 Class 6 4.7 Totals 0.0 0.0 5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5) 5.1 Class 1 .0.0 0.0. 0.0 5.2 Class 2 ..0.0 5.3 Class 3 0.0 0.0 5.4 Class 4 .0.0 .0.0 5.5 Class 5 ..0.0 ..0.0 0.0 0.0

0.0

0.0

9.6 Class 6

9.7 Totals

#### ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations Over 1 Year Through Over 5 Years Through Over 10 Years Col. 6 as a Total from Col. 6 % From Col. 7 Total Publicly Total Privately Placed Quality Rating per the NAIC Designation 1 Year or Less 5 Years 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Prior Year Traded (a) 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) 0.0. 6.1 Class 1 0.0. 6.2 Class 2 0.0 0.0 0.0 6.3 Class 3 .0.0 6.4 Class 4 ..0.0 0.0 ..0.0 6.5 Class 5. .0.0 0.0 6.6 Class 6 0.0 0.0 0.0 6.7 Totals 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) 7.1 Class 1 ..0.0 .0.0 7.2 Class 2 0.0 .0.0 7.3 Class 3 0.0 0.0. 7.4 Class 4 0.0 0.0 0.0 7.5 Class 5 .0.0 0.0 7.6 Class 6 0.0 0.0 0.0 7.7 Totals 8. Credit Tenant Loans, Schedules D & DA (Group 8) 0.0 8.1 Class 1 .0.0 0.0. .0.0 8.2 Class 2 8.3 Class 3 ..0.0 .0.0 8.4 Class 4 0.0 .0.0 8.5 Class 5 0.0 .0.0 0.0 8.6 Class 6 0.0 0.0 0.0 9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9) .0.0 9.1 Class 1 .0.0 9.2 Class 2 ..0.0 .0.0 9.3 Class 3 0.0 .0.0 9.4 Class 4 0.0. .0.0 9.5 Class 5. 0.0 0.0

0.0

0.0

0.0

# **SCHEDULE D - PART 1A - SECTION 1 (continued)**

		Quality and Matur	ity Distribution of All B	onds Owned December	er 31, at Book/Adjuste	d Carrying Values by N	lajor Types of Issues	and NAIC Designation			
	1	2	3	4	5	6	7	8	9	10	11
			Over 5 Years Through	Over 10 Years			Col. 6 as a	Total from Col. 6	% From Col. 7	Total Publicly	Total Privately Placed
Quality Rating per the NAIC Designation	1 Year or Less	5 Years	10 Years	Through 20 Years	Over 20 Years	Total Current Year	% of Line 10.7	Prior Year	Prior Year	Traded	(a)
10. Total Bonds Current Year											
10.1 Class 1	0	1,023,398	0	0	0	1,023,398	100.0	XXX	XXX	1,023,398	0
10.2 Class 2	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.3 Class 3	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Class 4	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Class 5	0	0	0	Ω	0	(c)0	0.0	XXX	XXX	0	0
10.6 Class 6	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.7 Totals	0	1,023,398	0	0	0	(b)1,023,398	100.0	ХХХ	XXX	1,023,398	0
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year		•									
11.1 Class 1	0	1,023,398	0	0	0	XXX	XXX	1,023,398	100.0	1,023,398	0
11.2 Class 2	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.3 Class 3	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.4 Class 4	0	0	0	0	0	XXX	XXX	0	0.0	0	0
11.5 Class 5	0	0	0	0	0	XXX	XXX	(c) 0	0.0	0	0
11.6 Class 6	0	0	0	0	0	XXX	XXX	(c) 0	0.0	0	0
11.7 Totals	0	1,023,398	0	0	0	XXX	XXX	(b)1,023,398	100.0	1,023,398	0
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0		XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds			1								
12.1 Class 1		1,023,398				1,023,398	100.0	1,023,398	100.0	1,023,398	XXX
12.2 Class 2						0	0.0	0	0.0	0	XXX
12.3 Class 3						0	0.0	0	0.0	0	XXX
12.4 Class 4						0	0.0	0	0.0	0	XXX
12.5 Class 5						0	0.0	0	0.0	0	XXX
12.6 Class 6						0	0.0	0	0.0	0	XXX
12.7 Totals	0	1,023,398	0	0	0	1,023,398	100.0	1,023,398	100.0	1,023,398	XXX
12.8 Line 12.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7,											
Col. 6, Section 10	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds		•									
13.1 Class 1						0	0.0	0	0.0	XXX	0
13.2 Class 2						0	0.0	0	0.0	XXX	0
13.3 Class 3						0	0.0	0	0.0	XXX	0
13.4 Class 4						0	0.0	0	0.0	XXX	0
13.5 Class 5						0	0.0	0	0.0	XXX	0
13.6 Class 6						0	0.0	0	0.0	XXX	0
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7,											
Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
201. 0, 0000011 10		0.0	0.0	0.0	0.0	0.0	7001		7001	,,,,,,	Ų.

<sup>(</sup>a) Includes \$ freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

# **SCHEDULE D - PART 1A - SECTION 2**

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues											
	1	2 Over 1 Year	3 Over 5 Years	4 Over 10 Years	5	6	7 Col. 6 as a %	8 Total from Col 6	9 % From Col. 7	10 Total Publicly	11 Total Privately
Distribution by Type	1 Year or Less	Through 5 Years	Through 10 Years	Through 20 Years	Over 20 Years	Total Current Year	of Line 10.7	Prior Year	Prior Year	Traded	Placed
1. U.S. Governments, Schedules D & DA (Group 1)		4 000 000	l	_		4 000 000	100.0	1,023,398	100.0	1.023.398	
1.1 Issuer Obligations     1.2 Single Class Mortgage-Backed/Asset-Backed Securities		1,023,398				1,023,398	0.0	1,023,398	0.0	1,023,398	
	0	4 000 000	0	0	^	4 000 000		4 000 000		4 000 000	,
1.7 Totals	Ü	1,023,398	U	0	0	1,023,398	100.0	1,023,398	100.0	1,023,398	(
All Other Governments, Schedules D & DA (Group 2)     Schedules D & DA (Group 2)     Schedules D & DA (Group 2)		1	I	4		0	0.0	0	0.0		
2.1 Issuer Obligations				•					0.0		
2.2 Single Class Morgage-Backed/Asset-Backed Securities							0.0	U			
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 2.3 Defined						0	0.0	0	0.0		
2.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
2.5 Defined						0	0.0	0	0.0		
2.6 Other						0	0.0	0	0.0		
2.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	(
3. States, Territories, and Possessions Guaranteed, Schedules D & DA (Group 3)		•									
3.1 Issuer Obligations						0	0.0	0	0.0		
3.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
3.3 Defined 3.4 Other						0	0.0	0	 0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES								0			
3.5 Defined 3.6 Other				-		0	0.0	0	0.0 0.0		
3.7 Totals	Λ	0	0	۸	Λ	0	0.0	0	0.0	۸	(
4. Political Subdivisions of States. Territories and Possessions. Guaranteed. Sched	lulas D & DA (Craum 4)	U	U	U	U	U	0.0	U	0.0	U	(
4.1 Issuer Obligations	ules D & DA (Group 4)	1		-		0	0.0	0	0.0		
4.2 Single Class Mortgage-Backed/Asset-Backed Securities						 N	0.0	0 N	0.0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES  4.3 Defined						0	0.0	0	0.0		
4.4 Other							0.0	 0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES											
4.5 Defined						0	0.0	0	0.0		
4.6 Other						0	0.0	0	0.0		
4.7 Totals	0	0	0	0	0	0	0.0	0	0.0	0	(
Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Sched     S.1 Issuer Obligations	lules D & DA (Group 5)					0	0.0	0	0.0		
5.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0		
5.3 Defined				ļ		0	0.0	0	0.0		
5.4 Other						0	0.0	0	0.0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET- BACKED SECURITIES						_					
5.5 Defined				<b>-</b>			0.0	0	0.0		
5.6 Other						0	0.0	0	0.0		
5.7 Totals	0	0	0	1 0	0	0	0.0	1 0	0.0	0	(

9.6 Other

9.7 Totals

#### ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

# **SCHEDULE D - PART 1A - SECTION 2 (continued)**

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Najor Type and Subtype of Issues 10 Over 5 Years Col. 6 as a Total from Col. 6 **Total Publicly Total Privately** Over 10 Years % From Col. 7 Over 1 Year Through Through 10 Years Through 20 Years Over 20 Years **Total Current Year** % of Line 10.7 Prior Year Distribution by Type 1 Year or Less 5 Years Prior Year Traded Placed 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) 6.1 Issuer Obligations ... ..0.0 .0.0 6.2 Single Class Mortgage-Backed/Asset-Based ...0.0 .0.0 MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES ...0.0 6.3 Defined ...0.0 6.4 Other .0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES ..0.0 6.5 Defined 6.6 Other 0.0 0.0 6.7 Totals 0 0.0 0.0 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) 7.1 Issuer Obligations ..0.0 7.2 Single Class Mortgage-Backed/Asset-Based ...0.0 .0.0 Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 7.3 Defined ...0.0 .0.0 ...0.0 7.4 Other .0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES 7.5 Defined ...0.0 .0.0 7.6 Other 0.0 0.0 7.7 Totals 0.0 0.0 8. Credit Tenant Loans, Schedules D & DA (Group 8) .0.0 8.1 Issuer Obligations 0.0 0.0 8.7 Totals 9. Parents, Subsidiaries and Affiliates, Schedules D & DA (Group 9) ...0.0 9.1 Issuer Obligations 9.2 Single Class Mortgage-Backed/Asset-Based 0.0 Securities MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES 0.0 9.3 Defined ...0.0 ..0.0 MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES ...0.0 .0.0 9.5 Defined

0.0

0.0

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# SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Type and Subtype of Issues													
	1	2	3	4	5	6	7	8	9	10	11		
		Over 1 Year	Over 5 Years	Over 10 Years		Total		Total From Col. 6		Total Publicly	Total Privately		
Distribution by Type	1 Year or Less	Through 5 Years	Through 10 Years	Through 20 Years	Over 20 Years	Current Year	of Line 10.7	Prior Year	Prior Year	Traded	Placed		
10. Total Bonds Current Year		4 000 000	0	0	0	4 000 000	400.0	VVV	VVV	4 000 000	0		
10.1 Issuer Obligations	0	1,023,398	0	0	0	1,023,398	100.0	XXX	XXX	1,023,398			
10.2 Single Class Mortgage-Backed/Asset-Backed Securities	U	0	D	U	U	U	0.0	XXX	XXX	U	U		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES  10.3 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	0		
10.4 Other		U		D			0.0	XXX	XXX				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES	U	0				0		ΛΛΛ		U			
10.5 Defined	0	0	0	0	0	0	0.0	XXX	XXX	0	٥		
10.6 Other	0	o	0	0	o	 N	0.0	XXX	XXX	D	 0		
10.7 Totals	0	1.023.398	0	0	0	1.023.398	100.0	XXX	XXX	1.023.398	0		
10.8 Line 10.7 as a % of Col. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0		
11. Total Bonds Prior Year	0.0	100.0	0.0	0.0	0.0	100.0	7001	7000	7001	100.0	0.0		
11.1 Issuer Obligations	0	1.023.398	0	0	n	XXX	XXX	1.023.398	100.0	1.023.398	0		
11.2 Single Class Mortgage-Backed/Asset-Backed Securities	0	0	0	0	0	XXX	XXX	0	0.0	0	0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES													
11.3 Defined	0	0	0	0	0	XXX	XXX	0	0.0	0	0		
11.4 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES													
11.5 Defined	0	0	٥	0	0	XXX	XXX	0	0.0	0	0		
11.6 Other	0	0	0	0	0	XXX	XXX	0	0.0	0	0		
11.7 Totals	0	1,023,398	0	0	0	XXX	XXX	1,023,398	100.0	1,023,398	0		
11.8 Line 11.7 as a % of Col. 8	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0		
12. Total Publicly Traded Bonds													
12.1 Issuer Obligations		1,023,398				1,023,398	100.0	1,023,398	100.0	1,023,398	XXX		
12.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	0	XXX		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES							2.2				WWW.		
12.3 Defined						0	0.0	0	0.0	0	XXX		
12.4 Other						0	0.0	0	0.0	0	XXX		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES						0	0.0	0	0.0	0	XXX		
12.5 Defined						U	0.0	0	0.0	 0	XXX		
12.7 Totals	0	1,023,398	۸	0	۸	1.023.398	100.0	1,023,398	100.0	1,023,398	XXX		
12.8 Line 12.7 as a % of Col. 6	0.0	1,023,390	0.0	0.0	0.0	100.0	XXX	XXX	XXX	1,023,390	XXX		
12.9 Line 12.7 as a % of Coi. 6	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX		
13. Total Privately Placed Bonds	0.0	100.0	0.0	0.0	0.0	100.0	7001	NO.	7001	100.0	7007		
13.1 Issuer Obligations						0	0.0	0	0.0	XXX	0		
13.2 Single Class Mortgage-Backed/Asset-Backed Securities						0	0.0	0	0.0	XXX	0		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES													
13.3 Defined						0	0.0	0	0.0	XXX	0		
13.4 Other						0	0.0	0	0.0	XXX	0		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES													
13.5 Defined						0	0.0	0	0.0	XXX	0		
13.6 Other						0	0.0	0	0.0	XXX	0		
13.7 Totals	0	0	0	0	0	0	0.0	0	0.0	XXX	0		
13.8 Line 13.7 as a % of Col. 6	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0		
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0		

Schedule DA - Part 2

NONE

Schedule DB - Part A - VBY

NONE

Schedule DB - Part B - VBY

NONE

Schedule DB - Part C - VBY NONE

Schedule DB - Part D - VBY NONE

Schedule DB - Part E - VBY NONE

Schedule DB - Part F - Section 1

NONE

Schedule DB - Part F - Section 2

NONE

Schedule S - Part 1 - Section 2

NONE

Schedule S - Part 2

NONE

0399999 Totals

# ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Priority Health Government Programs

# **SCHEDULE S - PART 3 - SECTION 2**

			Re	einsurance Ceded Accident and Health Insu									
1	2	3	4	5	6	7	8	9	Outstanding	Surplus Relief	12	13	
NAIC Company Code	Federal ID Number	Effective Date	Name of Company	Location	Type	Premiums	Unearned Premiums	Reserve Credit Taken Other than for Unearned Premiums	10	11 Prior Year	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance	
Oodc	Number	Elicotive Date	Name of Company Munich American Reassurance Company c/o Risk	Location	Турс	1 Torritainis	(Cotimated)	Oncamed Fremianis	Ourient real	1 Hor Tour	TICSCIVC	Onder Combarance	
		10/01/2002	Based Solutions.		SSL/L	112,903							
0299999	- Total - Non-Aft	iliates				112,903							
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# **SCHEDULE S - PART 4**

	Reinsurance Ceded to Unauthorized Companies													
1	2	3	4	5	6	7	8	9	10	11	12	13	14 Sum of Cols.	
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsurer	Reserve Credit Taken	Paid and Unpaid Losses Recoverable (Debit)	Other Debits	Total Cols. (5+6+7)	Letters of Credit	Trust Agreements	Funds Deposited by and Withheld from Reinsurers	Other	Miscellaneous Balances (Credit)	9+10+11+12+13 But Not in Excess of Col. 8	
	· · · · · · · · · · · · · · · · · · ·													
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		ļ												
1199999	Totals	4												

# Schedule S-Part 5 Five-Year Exhibit of Reinsurance Ceded Business (000 Omitted)

	(000 Omitted)												
		1 2003	2 2002	3 2001	4 2000	5 1999							
A. (	OPERATIONS ITEMS												
1.	Premiums.	3	1	0	0	0							
2.	Title XVIII-Medicare	0	0	0	0	0							
3.	Title XIX-Medicaid	109	19	0	0	0							
4.	Commissions and reinsurance expense allowance		0	0	0	0							
5.	Total hospital and medical expenses		0	0	0	0							
В. І	BALANCE SHEET ITEMS												
6.	Premiums receivable		0	0	0	0							
7.	Claims payable		0	0	0	0							
8.	Reinsurance recoverable on paid losses	0	0	0	0	0							
9.	Experience rating refunds due or unpaid		0	0	0	0							
10.	Commissions and reinsurance expense allowances unpaid		0	0	0	0							
11	Unauthorized reinsurance offset			0	0	0							
'''	Originionized remourance onset	0	J	J		0							
C. 1	JNAUTHORIZED REINSURANCE (DEPOSITS BY AND												
	FUNDS WITHHELD FROM)												
			^	_	_	_							
	Funds deposited by and withheld from (F)			0	0	0							
	Letters of credit (L)		0	0	0	0							
14.	Trust agreements (T)	0	0	0	0	0							
15.	Other (O)	0	0	0	0	0							

# **SCHEDULE S-PART 6**

Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	nestatement of balance Sheet to identify	1	2	3
		As Reported (net of ceded)	Restatement Adjustments	Restated (gross of ceded)
	ASSETS (Page 2, Col. 3)			
1.	Cash and invested assets (Line 10)	9,211,473		9,211,473
2.	Accident and health premiums due and unpaid (Line 12)	49,033		49,033
3.	Amounts recoverable from reinsurers (Line 13.1)	0		0
4.	Net credit for ceded reinsurance.	xxx	0	0
5.	All other admitted assets (Balance)	1,313,786		1,313,786
6.	Total assets (Line 26)	10,574,292	0	10,574,292
	LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7.	Claims unpaid (Line 1)	4,287,601	0	4,287,601
8.	Accrued medical incentive pool and bonus payments (Line 2)	431,113		431 , 113
9.	Premiums received in advance (Line 8)	0		0
10.	Reinsurance in unauthorized companies (Line 18)	0		0
11.	All other liabilities (Balance)	661,238		661,238
12.	Total liabilities (Line 22)	5,379,952	0	5,379,952
13.	Total capital and surplus (Line 30)	5,194,341	XXX	5,194,341
14.	Total liabilities, capital and surplus (Line 31)	10,574,293	0	10,574,293
	NET CREDIT FOR CEDED REINSURANCE			
15.	Claims unpaid	0		
16.	Accrued medical incentive pool	0		
17.	Premiums received in advance	0		
18.	Reinsurance recoverable on paid losses	0		
19.	Other ceded reinsurance recoverables	0		
20.	Total ceded reinsurance recoverables	0		
21.	Premiums receivable	0		
22.	Unauthorized reinsurance	0		
23.	Other ceded reinsurance payables/offsets	0		
24.	Total ceded reinsurance payable/offsets	0		
25.	Total net credit for ceded reinsurance	0		

# 57

# SCHEDULE Y (continued) PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

		PART 2 - SUMMAR	PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES													
1	2	3	4	5	6	7	8	9	10	11	12	13				
NAIC Company	Federal ID		Shareholder	Capital	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other	Incurred in Connection with Guarantees or Undertakings for the Benefit of any	Management Agreements and	Income/ (Disbursements) Incurred Under Reinsurance		Any Other Material Activity Not in the Ordinary Course of the Insurer's		Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit				
Code	Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Dividends	Contributions	Investments	Affiliate(s)	Service Contracts	Agreements	*	Business	Totals	Taken/(Liability)				
	00 0745500	Priority Health Managed Benefits. Priority Health		0.040.000			(4,139,000)				(4,139,000) 2,010,000					
95561	. 38-2715520	Priority Health		2,010,000						•	2,010,000					
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	1															
9999999 C	ontrol Totals		0	2.010.000	0	0	(4.139.000)	0	XXX	0	(2.129.000)	0				

### SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your annual statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

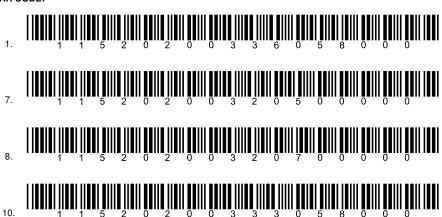
#### MARCH FILING

1.	Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	Yes	[	] N	0 [	Χ]
2.	Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	Yes	[ X	] N	0 [	]
3.	Will an actuarial certification be filed by March 1?	Yes	[ X	] N	0 [	]
4.	Will the Risk-based Capital Report be filed with the NAIC by March 1?	Yes	[ X	] N	0 [	]
5.	Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?	Yes	[ X	] N	0 [	]
6.	Will the SVO Compliance Certification be filed by March 1?	Yes	[ X	] N	0 [	]
7.	Will the Life Supplement be filed the state of domicile and the NAIC by March 1?	Yes	[	] N	0 [	Χ]
8.	Will the Property/Casualty Supplement be filed the state of domicile and the NAIC by March 1?	Yes	[	] N	0 [	Х]
	APRIL FILING					
9.	Will Management's Discussion and Analysis be filed by April 1?	Yes	[ X	] N	0 [	]
10.	Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile by April 1?	Yes	[	] N	0 [	Х]
11.	Will the Investment Risks Interrogatories be filed by April 1?	Yes	[ X	] N	0 [	]
	JUNE FILING					
12.	Will an audited financial report be filed by June 1 with the state of domicile?	Yes	[ X	] N	0 [	]
EXPL	ANATIONS:					
1.						
7.						

8.

10

#### **BAR CODE:**



# **OVERFLOW PAGE FOR WRITE-INS**